



Contractor Instructions For The June 30th Simulated FY04 Close Accrual Estimation Activity

Introduction

This document will outline each step necessary for completing the accrual estimate activity for the June 30, 2004 financial closing. These instructions are intended to supplement the letter requesting June 30, 2004 accrual estimates for BPA Fish and Wildlife contracts. If you have further questions, please contact the following:

Tracy Hursh, Accountant.....503-230-4532
Your BPA Project Manager or Contracting Officer's Technical Representative (COTR)

Expectations

- Submit an accrual estimate for each contract, no matter the expected dollar amount. Estimates should be provided for both capital and expense contracts, regardless of whether they have contractually enforceable spending caps, or Council-defined spending limits.
- Make the most accurate estimate you can, using the step-by-step instructions and examples provided as your guide.
- Work with your field staff, accounting office, subcontractors, and BPA COTR to make sure that all relevant information is included in the estimate.
- Your **signed** original form with estimates for each of your contracts should be received by BPA by **June 18, 2004**. If your signed original will not arrive by mail on time, please fax a copy to (503) 230-3049 by June 18, and follow up by mailing the original to BPA. BPA **must** receive a signed original form from each contractor to satisfy the requirements of our auditors.



Steps for Completing the June 30th Accrual Estimate Activity

Definitions

A **period-ending accrual** is any expense for work (goods or services) incurred on or before June 30, 2004 for which BPA will not receive an invoice by June 30, 2004.

A **contractually enforceable spending cap** is a specific dollar amount, set by the terms of the contract, which limits what the contractor may spend for that contract in a fiscal year. BPA is not obligated to reimburse the contractor for costs in excess of the contract cap, unless the contractor has received written permission from the BPA Contracting Officer to exceed the cap. Contractually enforceable spending caps were added to those expense contracts that were initiated or renewed after April 31, 2003, based on Northwest Power and Conservation Council spending recommendations. Check your contract terms, or ask your COTR if you are unsure whether or not your contract has a contractually enforceable spending cap.

A **Council-defined spending limit** is a specific dollar amount, set for each project by the Northwest Power and Conservation Council, that recommends an upper limit on what a project should spend within the fiscal year. While a Council-defined spending limit is not contractually enforceable if not included in the terms of the BPA contract, BPA and the Council expect that each contractor will make a good faith effort to stay within their Council-recommended FY04 limit. You may locate your project's Council-recommended spending limit, also called a Start-Of-Year Budget, at <http://www.nwcouncil.org/fw/0405/soy.htm>.

Step	Description	Instructions
1. Review List of Contracts	You must provide a period-ending accrual estimate for each of the contracts you have with BPA. First, validate the list of contracts that belong to you.	<ul style="list-style-type: none"> • With the letter you received, you should find a form listing your contracts. • Verify that the contract numbers are correct. Make corrections to the form if necessary. • If any of your contracts are not listed, please add them to the form. • Discuss any updates or corrections of information with your COTR.
2. Validate Billing To-Date	Make sure you know which invoices have already been received by BPA. The accrual estimate should not include charges for work that has already been billed to BPA.	<ul style="list-style-type: none"> • Contact your bookkeeper or accounting office to obtain a list of invoices that have already been paid by BPA, so that these don't get included in your estimate. • If you are unsure if an invoice has been paid by BPA, contact your COTR, who can validate your billings-to-date with BPA's records. You may also check the "Running Balance Report" for your contract, posted at http://www.efw.bpa.gov/cgi-bin/FW/Info_For_Fish_Wildlife_Contractors.cgi.
3. Determine Billings in Progress	Your accounting department may have invoices in progress that will be sent to BPA in the next few weeks. If an invoice will be received by BPA before June 30, the charges for that invoice should not be included in your accrual estimate.	<ul style="list-style-type: none"> • Work with your accounting department to identify any invoices that are planned but not yet sent to BPA. • Determine when pending invoices are likely to be received by BPA. Factor in your accounting department's processing time as well as the number of days it will take for the invoices to reach BPA by mail. • If an invoice is likely to be received by BPA by June 30, 2004, do <u>not</u> include it in your accrual estimate. • If an invoice is not likely to reach BPA before June 30, then the invoice amount <u>should</u> be included in your accrual estimate. • Let your COTR know how invoices in-progress will be counted in your accrual estimate.
4. Determine Work Already Performed That Will Not Be Billed In The Current Period (for which billings are not already in progress)	For each contract, determine the value of work that has been performed but will not be billed to BPA by June 30, 2004. Questions about invoices in progress should have been addressed in step 3.	<ul style="list-style-type: none"> • Determine the invoice amount of work that has been performed but will not be invoiced to BPA by June 30, 2004. • Include any subcontractor costs that will not be billed to BPA by June 30, 2004. If your subcontractor has billed you for work already performed, but you have not billed BPA, you should include the subcontractor charges in your accrual estimate. • Consult with your subcontractors to determine the value of any work performed before June 30 for which they have not billed you. As in the bullet above, what's important is when these charges will be billed to BPA. Any charges not billed to BPA before June 30, 2004 must be included in your accrual estimate. • Conduct any required consultations with other project managers, subcontractors, or accounting counterparts to validate your perspective on work completed but not billed.
5. Determine Work That Has	Any work performed between the time you submit	<ul style="list-style-type: none"> • Estimate the value of work that will be performed before June 30, 2004.

Yet To Be Performed (Before June 30 only) And Will Not Be Billed In the Current Period	your estimate and June 30, 2004 should be counted in the accrual estimate.	<ul style="list-style-type: none"> Consult with your subcontractors to determine the value of work they plan to perform by June 30, 2004 that they will not bill to you in time for you to bill BPA by June 30, 2004.
6. Compile Your Accrual Estimate	Based on steps 2 – 5, calculate an accrual estimate for each contract.	<ul style="list-style-type: none"> Your accrual estimate equals the sum of all work performed, by the contractor or subcontractor, by June 30, 2004, for which BPA will not receive an invoice by June 30, 2004. See illustrations below for more guidance.
7. Determine How Many Invoices Make Up Your Accrual Estimate	If your accrual estimate is made up of multiple invoices, BPA requests that you list each invoice separately with estimated charges and performance period for the work performed. This step will help us match your accrual estimate with your invoices when they arrive, and is necessary to satisfy the requirements of our auditors.	<ul style="list-style-type: none"> Work with your accounting department to determine how work will be invoiced. Will one invoice be sent for all work that has not yet been billed to BPA? Or will more than one invoice be sent? For example, let's say a contractor had \$2,000 worth of work performed in May, and \$4000 worth of work performed in June. The contractor will send one invoice, combining the May and June charges, to BPA on July 15. Therefore, the accrual estimate is the total, \$6,000, with a performance period of May – June 2004. As a second example, let's take the same contractor above. This time let's say that instead of one invoice, the contractor will send two invoices: one for the May work (\$2,000) and one for the June work (\$4,000). The total accrual estimate is still \$6,000, but must be broken out to show the two invoices: <ul style="list-style-type: none"> → \$2,000 for May 1 – May 31, 2004 → \$4,000 for June 1 – June 30, 2004 See Example 1 (Page 8) for more guidance.
8. Verify Your Accrual Estimate With Your COTR	For each contract, review your accrual estimate with your COTR.	<ul style="list-style-type: none"> Be sure to discuss any assumptions and decisions you made to derive the estimate.
9. Compare to Spending Cap or Council-Defined Spending Limit	Validate that your accrual estimate plus the billings to date do not exceed your spending cap or Council-defined spending limit.	<ul style="list-style-type: none"> Add the billings to-date determined in step 2 to your accrual estimate and compare to your spending cap or Council-defined spending limit. Validate the outcome with your COTR. If you have a spending cap in the terms of your contract, BPA will not reimburse you for costs that exceed your cap, unless the BPA Contracting Officer has approved an exception in advance.

<p>10. Complete and Sign the Accrual Estimate Form</p>	<p>Accrual estimates must be provided in writing, using the form provided, with the signature of the person completing the form.</p>	<ul style="list-style-type: none"> • The form requesting your accrual estimate should list each of the contracts you have with BPA. • Use this form to document an accrual estimate for each contract. • If an accrual estimate for a contract is based on more than one invoice, please list each invoice amount separately. • For example, if you plan to submit two invoices for the same contract after June 30, 2004; one for May 2004 charges and one for June 2004 charges, your accrual estimate for that contract should show the charges for May invoice and the charges for the June invoice as separate items.
<p>11. Mail Your Accrual Estimate Form to BPA</p>	<p>Your completed and signed accrual estimate form must be received by BPA by June 18, 2004.</p>	<ul style="list-style-type: none"> • Before mailing, verify that you have provided an estimate for each contract you have with BPA. • Mail your completed form to: Bonneville Power Administration ATTN: KEWB-4/Accrual Estimates PO Box 3621 Portland, OR 97208-3621 • The form may be faxed to BPA at: (503) 230-3049. However you must still mail the original form to BPA.

Illustration A: What should be included in the June 30, 2004 accrual estimate?

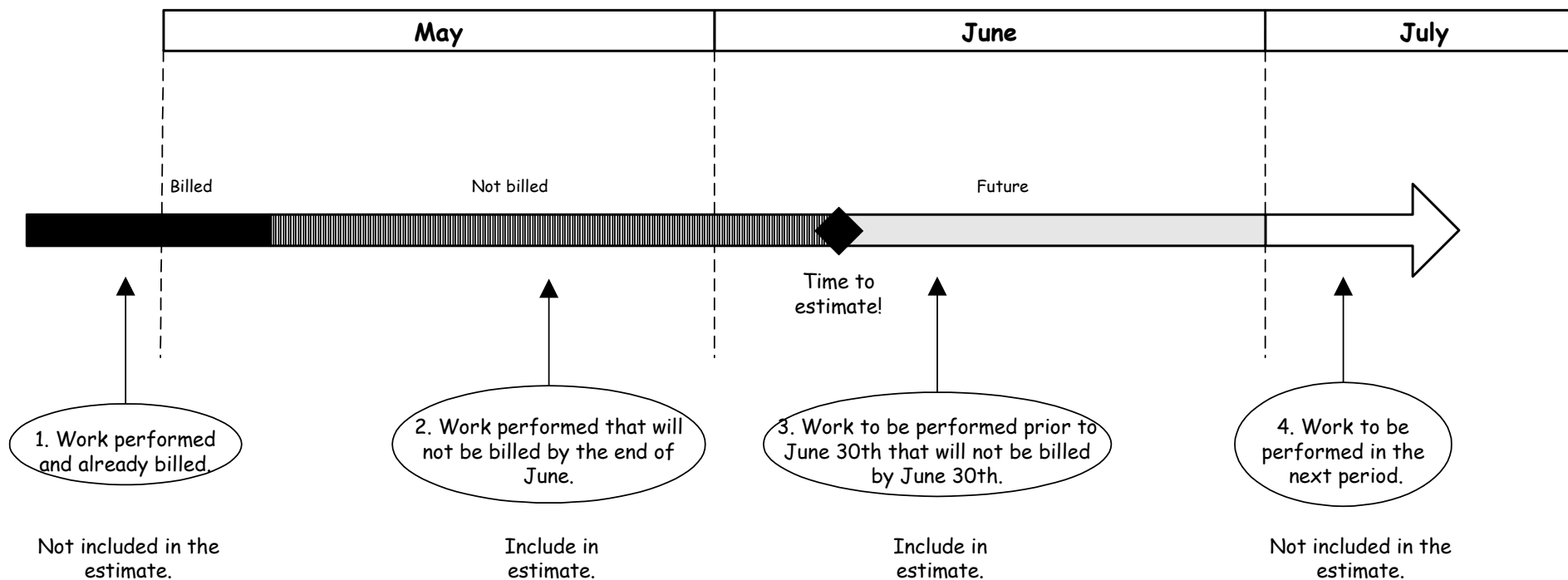
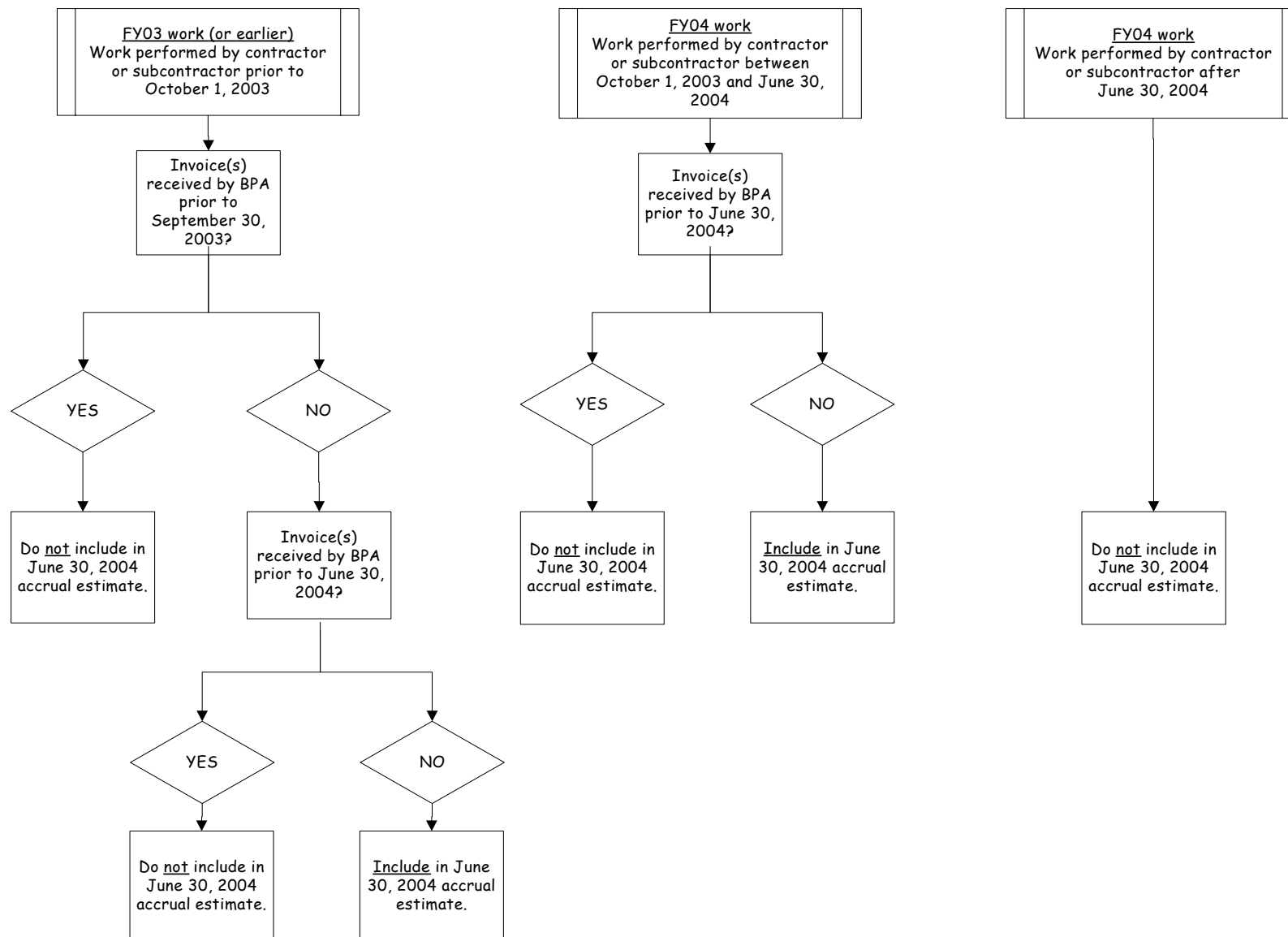


Illustration B: What should be included in the June 30, 2004 accrual estimate?



Example 1

Contract 105647 is listed correctly on the form provided. (Step 1)

Contract 1 has:

- \$109,000 in billings-to-date for FY04 (Step 2)
- One \$8,000 invoice that will be sent to BPA on June 15 for work performed by the contractor May 1 – May 31 (Step 3)
- \$6,000 worth of work performed by the contractor June 1 – June 15, for which BPA will be billed on July 15 (Step 4)
- \$13,000 worth of work performed by a subcontractor May 1 – May 31, for which the prime contractor will bill BPA on July 15 (Step 4)
- \$3,000 worth of work that will be performed by the contractor June 15 - June 30 that won't be billed until July 15 (Step 5)
- \$2,000 worth of work that will be performed by a subcontractor June 1 - June 30 that won't be billed until August 15 (Step 5)
- A Council-defined spending limit of \$200,000 for FY04

The total accrual estimate for this contract (Step 6) is:

	\$6,000
+	\$13,000
+	\$3,000
+	\$2,000
=	\$24,000

Note: The \$8,000 invoice was not counted as part of the accrual estimate because it is likely to reach BPA by June 30. BPA only needs an estimate for those items that won't be received by June 30, 2004.

- The COTR concurs with the accrual estimate (Step 7), and the billings-to date plus the accrual estimate (\$109K + \$8K + \$24K) is \$141K, well within the Council-defined spending limit (Step 8).

How should the June 30th accrual estimate for this contract be documented?

If the accrual estimate is made up of multiple invoices, each invoice must be listed separately. Although two invoices have the same performance period, in the example above these invoices will arrive at BPA separately – one in July and one in August – so they are listed as separate invoices. So the estimate for this contract is documented on the form as follows:

Contract Number	Contract Release	Contract Title	Accrual Performance Period and Estimated Accrual Amount (for each invoice, if multiple invoices)
105647	N/A	Restoration of Fictitious Creek	Total accrual estimate = \$24,000 <ul style="list-style-type: none"> • Invoice for work performed May 1 – May 30 = \$13,000 • 1st invoice for work performed June 1 – June 30 = \$9,000 • 2nd invoice for work performed June 1 – June 30 = \$2,000

NOTE: If an invoice contains charges incurred prior to June 30th and incurred after June 30th, make sure to identify that portion that relates to the period prior to June 30th and label it "Cost of work prior to July 1, 2004." For example, an invoice that combines charges for work performed during June 2004 and July 2004 must have this information separated in order for us to match the portion incurred prior to June 30th to the accrual estimates that were provided.

Example 2

Contract 105648 is *not* listed on the form provided. (Step 1) The contractor has written it in and notified the COTR.

Contract 2 has:

- \$340,000 in billings-to-date for FY04 (Step 2)
- no invoices in progress (Step 3)
- \$47,000 worth of work performed by the contractor April 1 – June 15, for which BPA will be billed in July (Step 4)
- no subcontractors (Steps 4 and 5)
- \$21,000 worth of work that will be performed by the contractor June 15 - June 30, for which BPA will be billed in July (Step 5)
- a spending cap of \$400K for FY04, which is part of the contract terms

Therefore, the total accrual estimate for this contract (Step 6) is:

$$\begin{array}{r}
 \\
 + \quad \$47,000 \\
 \hline
 + \quad \$21,000 \\
 \hline
 = \quad \mathbf{\$68,000}
 \end{array}$$

- A June 30th accrual of \$68,000 would result in the contractor exceeding the spending cap by \$8,000 (Step 8). The contractor confers with the COTR (Step 7), who explains the contractor's options, which are:
 - a) pay for the extra \$8,000 out of his agency's own funds
 - b) defer some of the work planned for June 15 – 30 to next fiscal year, or
 - c) request written permission from the CO to exceed the cap.

The contractor, COTR and CO jointly determine that \$5,000 worth of work can be postponed until after September 30, 2004. However, \$3,000 worth of the planned work cannot be postponed and is critical to the project. The CO provides written permission for the contractor to exceed the cap by \$3,000.

How should the June 30th accrual estimate for this contract be documented?

The contractor must write in the contract number, release and title, since it was not included on the form. All work performed April 1 – June 30 will be grouped on one invoice, so only the total accrual estimate is listed, with the performance period for the work covered by the invoice. The accrual estimate has been reduced to \$63,000, and the contractor attaches a copy of the CO's written permission to exceed the cap by \$3,000.

Contract Number	Contract Release	Contract Title	Accrual Performance Period and Estimated Accrual Amount (for each invoice, if multiple invoices)
105648	0003	Sample River Hatchery	Accrual estimate for work performed April 1 – June 30 = \$63,000 (<i>see attached documentation from CO</i>)